Chapter 16

Innovation in Extremadura: Opportunity for Companies or Obstacle for their Development?

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ABSTRACT

The main objective of this chapter is to analyze which are the barriers perceived by Extremaduran firms and how these barriers affect their willingness to perform innovative activities or to be innovative firms. We have used data collected in 2013 from an ad hoc survey. Results show that, firstly, there are differences in the perception of the barriers especially in young and exporter firms that detect more barriers although they have a strong willingness to innovate. Secondly, even if innovation is considered an essential source of competitiveness, there is an important unwillingness to innovate in non-innovative firms. This behaviour is especially due to barriers related with high costs and financial restrictions to innovate. These barriers also reduce the likelihood of the firms to innovate. Both innovative and non-innovative firms detect the presence of barriers to innovation highlighting the perceived lack of support from government.

INTRODUCTION

In recent years, the economists have devoted much of their time to analyze the factors that contribute to economic growth. In this process there has been a shift from the classical pessimistic point of view that considered it was difficult to keep the growth to a recent and more optimistic vision which considers important possibilities of future growth, which can be greatly attributed to the effects of technological progress.

It is widely accepted today that economic growth allows the improvement of living standards and the access to more and better goods and services. It can also generate more jobs and improve income distribution (thus enabling the
resolution of social conflicts) being innovation and technological progress, in all of these processes, the key macro and microeconomic factors.

At the macroeconomic level, the innovations produced in a sector increase other sectors’ productivity (technological spillovers) and allow the creation of international comparative advantages, so that the general welfare of economies increases. At the micro level, growth resulting from innovation leads to an increase in national income that allows increasing investment, boosting firms’ productivity and competitiveness. All this entails creating higher value products, with a decrease in the prices of goods and services and increasing customer satisfaction.

In the present context of globalization, an economy based on innovation and knowledge gets further developed through the ideas that become innovations and increase production, that generating growth. Innovation is generally characterized by changes in a complex and interrelated system between product/service, market, knowledge, actors and society.

Innovation is also an important source of economic growth and a key to the competitiveness of enterprises, which are the main agents of innovation systems. Nevertheless, the current innovation models also pay attention to informal activities as sources of new knowledge and innovative processes.

Innovation depends as well on the relationships and interactions between the different actors, the creation of networks, learning and dissemination of these processes and, for these reasons, it is essential to recognize the cultural role that defines us as a society (Delucchi, 2006). In this sense, innovation establishes a close link between the legal and the social context in which it develops and that implies to make an effort to determine its role in the economy without overlooking the geographical environment in which it operates. In this sense, there is agreement between scientists about the key role that innovation plays in the competitiveness of business and territories both in the medium and long term (Porter, 1990; Castillo & Crespo, 2011). The proximity (geographical, institutional, cultural, etc.) between actors of innovation in a country facilitates the establishment of close relationships (interpersonal, inter-firm and intersectoral) which lead to the creation, acquisition, accumulation and application of knowledge (González-Pernia, Martiarena, Navarro, & Peña, 2009; Asheim & Isaksen, 2002; Lundvall, 1992). Spanish regions have recently recognized the importance of managing their innovation systems and the allocation of resources to stimulate innovation capacity (Asheim & Coenen, 2006; Lundvall & Borrás, 1997).

Notwithstanding the significant benefits it brings, knowledge generated by innovation presents certain characteristics of a public good (Arrow, 1962; Nelson, 1959) which implies that investment in innovation will face some major obstacles: lack of appropriability benefits (Geroski, 1995), high costs (sunk cost), uncertainty and high risk that make the returns achieved by private investment firms to be lower than those socially desired. This creates market failures (of goods, capitals and financial) that economically justify government intervention through the development of appropriate science and technology policies that promote research and development (R&D) in order to enhance the innovation potential of companies. Government intervention is also justified by the positive role and increased welfare that the current economy based on knowledge and innovation provides to the society.

Within this background, the main objective of this article is to analyze which are the barriers perceived by Extremaduran firms and how these barriers affect their willingness to perform innovative activities or to become innovative firms. These barriers were descriptively analyzed in Corchuelo and Mesías (2015) but, in this chapter the statistic and econometric analysis are deepened, and that will allow us to answer the following questions: Which are the main dimensions regarding the barriers to innovation in the Extremaduran com-